

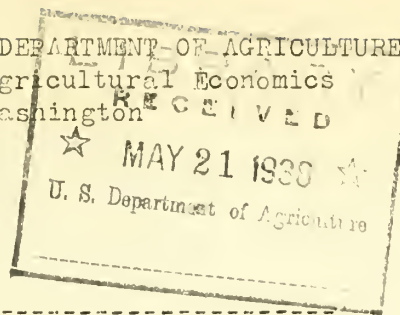
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UNITED STATES DEPARTMENT OF AGRICULTURE  
Bureau of Agricultural Economics  
Washington



May 18, 1938

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T H E H O G S I T U A T I O N  
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Summary

Little further weakness in hog prices is expected during the early summer in view of the probable small seasonal increase in hog marketings, the small storage stocks of pork and lard now on hand, and the drop in prices that has occurred since early March. With a seasonal reduction in hog slaughter in late summer, the Bureau of Agricultural Economics says some advance in prices probably will occur. But this rise in prices will be limited by the continued weak consumer demand for meats.

Slaughter supplies of hogs during the summer season (May through September) will be considerably larger than those of last summer. This increase, however, will be offset to a considerable extent by the decrease in stocks of pork and lard now in storage compared with a year earlier.

The 1938 spring pig crop probably was somewhat larger than that of 1937. Supplies of feed have been abundant during the past winter, and the hog-corn price ratio has been very favorable for an expansion in hog production. If crop conditions continue favorable, a considerable increase in the 1938 fall pig crop over that of last year is expected. Larger pig crops in 1938 will mean larger marketings of hogs in the year beginning next October than in the present marketing year, which ends September 30.

Hog prices declined almost steadily from early March to early May, and prices in the first half of May were lower than at any time since January. The drop in prices during the past 2 months, amounting to about \$1.50 per 100 pounds, apparently resulted from further weakness in consumer demand for meats, since marketings decreased during the period. Prices strengthened slightly during the second week of May.

#### REVIEW OF RECENT DEVELOPMENTS

BACKGROUND.- Hog prices last summer reached the highest level in more than a decade as a result of very short supplies and fairly favorable demand conditions. During the fall and early winter, hog marketings increased and consumer and storage demand for hog products weakened. A marked decline in hog prices resulted. A moderate improvement in prices occurred from late January to early March, with the average weekly price of hogs at Chicago reaching about \$9.40. At the winter low point in mid-December 1937 the Chicago weekly average was about \$7.75. In mid-August 1937, however, before the decline in prices began, the weekly average was about \$12.40.

#### Hog prices decline from mid-March to early May

Despite the continued decrease in slaughter supplies of hogs during March and April, hog prices declined from mid-March through early May. The average price of hogs at Chicago for the first week of May, of \$7.90 per 100 pounds, was the lowest weekly average at that market since mid-January, and it was nearly \$1.50 lower than in the first week of March. In early May last year, the Chicago weekly average was slightly more than \$10. Prices strengthened slightly during the second week of May.

In the early months of the present marketing year the spread between prices of light and heavy hogs was unusually wide. During January, for example, prices of light hogs were more than \$1 higher than prices of heavy hogs, whereas the usual spread for that time of year is about 50 cents. The rise in prices from mid-January to early March was somewhat greater for heavy hogs than for light hogs, and the spread was reduced to a more nearly normal figure. The decline in prices since early March has been about the same for the several weight groups. Consequently, in early May when the average price of all hogs was about the same as in January, prices of light hogs were somewhat lower and prices of heavy hogs were somewhat higher than in January.

Prices per 100 pounds of hogs at Chicago, January and specified weeks, 1936

Month and week	Average	Light	Medium	Heavy
	price	weight	weight	weight
	1/	180-200	200-220	290-350
		pounds	pounds	pounds
	Dollars	Dollars	Dollars	Dollars
Month of Jan. ....	7.91	8.52	8.40	7.34
Week ended Jan. 22	7.83	8.55	8.39	7.22
Week ended Mar. 12	9.39	9.62	9.66	9.32
Week ended May 7	7.90	8.10	8.10	7.76

1/ Packer and shipper purchases.

Hog slaughter further reduced in April

Hogs slaughtered under Federal inspection totaled 2,462,000 head in April, about 150,000 fewer than in March and nearly 350,000 head fewer than in April a year earlier. Inspected slaughter in April this year was the second smallest for the month since 1914, although it exceeded that of April 1935 by a considerable margin. Average weights of hogs marketed continued heavy. The average weight at the seven leading markets in April was about the same as for the earlier months of 1938. With the proportion of packing sows in the market supplies showing little or no increase and weights continuing heavy it appears that marketings of 1937 fall pigs had not reached large proportions by the end of April.

May 1 stocks of pork and lard much smaller than year earlier

Storage stocks of pork on May 1 totaled only 500 million pounds, the second smallest holdings on record for that date, and 256 million pounds under those of May 1 last year. Stocks of lard also were much smaller than those of a year earlier. The decrease in storage holdings of pork and lard combined on May 1 this year, compared with last, amounted to about 343 million pounds. This decrease in the quantity of hog products in storage is roughly equivalent to the products obtainable from about 2,100,000 hogs of average market weight.

Storage holdings of pork and lard on the first of the month,  
specified months

Month	: 5-year average : : 1929-30 to 1933-34: 1936-37 : 1937-38					
	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard
	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.	: Mil.lb.
Oct. ....	: 530	: 109	: 362	: 102	: 283	: 73
Jan. ....	: 565	: 72	: 667	: 146	: 399	: 54
Apr. ....	: 731	: 105	: 756	: 217	: 544	: 121
May ....	: 733	: 113	: 756	: 209	: 1/500	: 1/122

1/ Preliminary.

Hog-corn price ratio reduced in March and April

Corn prices were fairly steady during April, and with the drop in hog prices during the month the ratio between prices of hogs and corn was reduced. In late April, the hog-corn price ratio, based on Chicago prices, was 13.8 compared with 14.5 in early April and 16.1 in early March. The long-time average ratio between Chicago prices of hogs and corn is about 11.4. In late April last year the ratio of about 7.4 was considerably less than average and much below that of the present year.

The ratio between hog prices and corn prices has been above average since last September, whereas in the corresponding period a year earlier it was considerably below average. The higher ratio in 1937-38 than in 1936-37 reflects the much lower prices of corn, since hog prices also have been lower than a year earlier. The higher hog-corn price ratio and the more plentiful feed supplies largely account for the heavier weights of hogs in the past 6 months than a year earlier.

Prices of hog products decline in April

Wholesale prices of most cuts of both fresh and cured pork weakened during April, while lard prices held about steady. Prices of fresh pork in late April were considerably higher than in January, when hog prices were about the same as in late April, but prices of cured pork in late April were somewhat lower than in January. Prices of all hog products in recent months have been somewhat lower than those of a year earlier.



March exports of pork and lard larger than year earlier

Exports of lard in March were about the same as in February, but exports of about 6.9 million pounds of pork exceeded those of February by 2 million pounds and were largest for any month in nearly 2 years. In the first half of the present hog marketing year, beginning last October, total exports of pork amounted to about 42 million pounds, nearly 14 million pounds larger than those of a year earlier. Lard exports of about 112 million pounds in the first half of 1937-38, were the largest for this period since 1934-35. Exports of lard in the first half of present year were slightly larger than the total exports during the entire 1936-37 marketing year.

Imports of pork increase in March

Pork imports in March were about twice as large as in February, but they were slightly smaller than in March last year. The March total of nearly 7 million pounds was mostly bacon and hams.

## OUTLOOK

The prospects for hog prices and supplies for the remainder of the 1937-38 marketing year, which ends September 30, have not changed greatly during the past month. The following indications with respect to prospective supplies and prices of hogs were given in the April issue of this report:

- (1) Slaughter supplies of hogs during the remainder of the 1937-38 marketing year will be considerably larger than those of a year earlier. The increase in supplies over last season, however, will be partly offset by the reduction in storage stocks from last year's levels.
- (2) After declining seasonally in the late spring and early summer, some recovery in hog prices is expected in late summer, when marketings of hogs are reduced seasonally.
- (3) The recovery in prices in late summer will be limited by the continued weak consumer demand for meats. The rise probably will be much less than that which occurred in July and early August last year.

Seasonal increase in hog marketings expected in early summer

Although some seasonal increase in hog marketings may occur during the next several weeks as the movement of 1937 fall pigs gets underway in large volume, the increase probably will not be large. Last year marketings were reduced sharply in May and continued small in June - contrary to the usual seasonal tendency. This occurred because a large number of 1936 fall pigs were marketed before May and after September as a result of the shortage and high prices of feed. This year, with feed supplies much larger and feed prices considerably lower, the market movement of fall pigs probably will occur mostly in late spring and summer, with some tendency for such hogs to be marketed later than usual because of feeding to heavy weights. In view of the difference in the time of marketing fall pigs between this year and last year, market supplies of hogs in May and June could be much larger than those of a year earlier, without being much larger than in the past month. It is possible, however, that marketings in June will be considerably larger than in April or May.

Hog marketings to be reduced in late summer

Hog marketings during July, August and September usually are the smallest for any quarter of the year. A relatively large percentage of the marketings in this period are packing sows. Although supplies during the July - September period this year are expected to be considerably larger than the very small supplies of a year earlier, the increase over a year earlier will be limited to some extent by the large number of sows and gilts which will be retained for farrow if feed crop conditions continue favorable.

In the first 7 months of the current hog marketing year, beginning last October, inspected hog slaughter totaled about 22 million head. In earlier issues of this report it was indicated that slaughter for the entire year probably would total about 34 million head. This would mean a slaughter supply for the remaining 5 months of the marketing year, to the end of September, of about 12 million head, or about 2.6 million head more than that of the corresponding period last year. It still appears probable that the yearly total of inspected slaughter will be about as large as was indicated earlier. The retention of a large number of sows for fall farrow, however, might result in a smaller increase in slaughter supplies this summer than the figure indicated.



Hog price changes for the rest of 1937-38

The probable increase in hog marketings this summer over those of a year earlier will be partly offset by the decrease in storage stocks of pork and lard now on hand compared with a year ago. As indicated in the preceding paragraph the increase in inspected hog slaughter in the summer season (May - September) over a year earlier may be about 2.6 million head. But at the beginning of May this year the decrease in storage stocks of pork and lard from a year earlier was roughly equivalent to about 2.1 million hogs. In view of the drop in prices that has occurred since early March and the probability that the seasonal increase in hog marketings in the early summer will not be large, it is expected that any further weakness in hog prices in this period will be only moderate. However, if hog marketings in June should be considerably larger than in April or May, hog prices might drop below the level of early May.

Since some seasonal reduction in hog marketings is expected after June, a seasonal advance in hog prices probably will occur in the late summer. This advance, however, will be limited by the continued weak consumer demand for meats. It is doubtful if prices in the late summer will reach as high a level as that reached in early March.

Larger spring and fall pig crops expected this year

On the basis of breeding intentions reported about December 1, it was indicated in the December 1937 pig crop report that the number of sows to farrow in the spring of 1938 would be about 5 percent greater than the number farrowing in the spring of 1937. The hog-corn price ratio in the past 6 months has been rather favorable for expanding hog production and feed supplies generally have been plentiful. Reports from producing areas indicate that there was a strong demand on the part of farmers for bred sows throughout the winter. Receipts of packing sows at the seven leading markets during the winter have been considerably smaller than those of a year earlier. Thus, it is probable that the number of sows farrowing this spring was at least 5 percent greater than the number farrowing last spring.

The carry-over of old corn into the 1938-39 season will be relatively large, and if growing conditions continue favorable, corn production this year will be near average. In view of the prospects for relatively large feed supplies, the present higher-than-average hog-corn price ratio, and the current low level of hog production in many areas, the 1938 fall pig crop probably will be considerably larger than that of 1937. Larger spring and fall pig crops in 1938 than in 1937 will mean that supplies of hogs for market in the coming marketing year, beginning next October, will be larger than in the present year, 1937-38.

## Prices of hogs and hog products, specified periods

Item	Unit					Oct.-Sept.		Oct.-Apr.	
						Average:			
		Apr.	Mar.	Apr.	1928-29	1935-	1936-	1936-	1937-
		1937	1938	1938	to	36	37	37	38
					1932-33:				
		: Dolls.:							
Average price:	per 100:								
Seven markets .....	pounds	9.85	8.90	8.09	<u>1/</u>	9.64	10.28	9.70	8.42
Chicago .....	do.	9.97	9.12	8.28	6.99	9.90	10.49	9.91	8.60
U. S. average price	:	:	:	:	:	:	:	:	:
received by farmers	do.	9.04	8.35	7.77	6.48	9.15	9.66	9.11	8.15
Prices of hog	:	:	:	:	:	:	:	:	:
products, Chicago:	:	:	:	:	:	:	:	:	:
Loins, 8-10 lb.	do.	21.56	19.83	19.92	17.07	21.21	22.29	19.13	18.37
Hams, smoked,	:	:	:	:	:	:	:	:	:
reg. No. 1, 10-12 lb.	do.	23.50	23.65	23.53	20.31	26.58	24.65	23.36	23.70
Bacon, smoked, No. 1	:	:	:	:	:	:	:	:	:
dry cured, 6-8 lb.	do.	26.88	26.65	25.94	23.71	30.86	28.58	27.23	28.11
Lard, refined,	:	:	:	:	:	:	:	:	:
H. W. tubs .....	do.	12.62	9.95	9.35	9.68	12.65	13.13	13.11	10.37
Average price of No. 3:	Cents	:	:	:	:	:	:	:	:
Yellow corn, Chicago	per lb.	135	58	59	62	74	115	113	58
Hog-corn price	:	:	:	:	:	:	:	:	:
ratio: <u>2/</u>	:	:	:	:	:	:	:	:	:
Chicago .....	Bushel	7.4	15.8	14.1	11.6	14.1	9.2	8.8	14.8
North Central	:	:	:	:	:	:	:	:	:
States .....	do.	7.6	19.0	16.8	12.9	15.8	9.5	9.0	17.6
Proportion of packing:	:	:	:	:	:	:	:	:	:
sows in total packer:	:	:	:	:	:	:	:	:	:
and shipper purchases	:	:	:	:	:	:	:	:	:
seven markets <u>3/</u> ...	Percent	5.0	3.0	3.0	<u>1/</u>	16.0	15.0	6.0	6.0
Average weight at	:	:	:	:	:	:	:	:	:
seven markets .....	Pound	227	243	242	<u>1/</u>	241	231	218	237
	:	:	:	:	:	:	:	:	:
	:	:	:	:	:	:	:	:	:
	:	:	:	:	:	:	:	:	:

1/ Not available.2/ Number of bushels of corn equivalent in value to 100 pounds of live hogs.3/ Monthly figures computed from weekly averages.

## Supplies of hogs and hog products, specified periods

Item	Unit	Mar.: 1937:	Feb.: 1938:	Mar.: 1938:	Oct.-Sept.			Oct.-Mar.	
					Average:				
					1928-29:	1935-:	1936-:	1936-:	1937-:
					to	36	37	37	38
					1932-33:				
Hog slaughter under									
Federal inspection-									
Number	Thou-								
slaughtered <u>1</u> /	sands	3,033	2,833	2,610	46,363	31,022	34,142	21,859	19,608
Live weight:									
Average .....	Pound	220	228	228	231	232	221	216	229
Total .....	Mil.lb.	666	647	594	10,723	7,191	7,538	4,711	4,482
Dressed weight:									
Average .....	Pound	165	172	172	175	175	164	161	172
Total .....	Mil.lb.	499	485	447	8,069	5,402	5,586	3,500	3,356
Yield of lard per									
100 pounds live									
weight of hogs....	Pound	11.5	12.8	13.1	15.2	12.1	10.9	11.5	12.1
Production of lard:	Mil.lb.	77	83	78	1,630	870	833	541	543
Apparent									
consumption-									
Pork, incl.									
lard <u>2</u> /.....	do.	499	419	464	7,171	5,124	5,601	2,944	2,923
Lard .....	do.	54	49	57	961	712	756	376	382
Exports: <u>3</u> /									
Pork .....	do.	5	7	9	211	69	59	28	42
Lard .....	do.	7	16	16	657	101	107	50	112
Imports of pork <u>3</u> /	do.	8	3	7	6	32	72	33	30
Proportion of sows in									
inspected									
slaughter <u>4</u> / .....	Percent	48.5	45.9	47.0	51.2	51.9	51.1	49.1	47.2

1/ Bureau of Animal Industry.

2/ Represents apparent disappearance of federally inspected pork plus unrendered hog fats.

3/ United States Department of Commerce. Pork includes Bacon, hams and shoulders, and fresh, canned, and pickled pork. Lard includes neutral lard.

4/ Includes gilts.

